

Mr. Brian Oldaker, Director of Reimbursement
Life Care Centers of America
3570 Keith Street, NW
Post Office Box 3480
Cleveland, Tennessee 37320

Re: AC# 3-LCH-J9 – Life Care Center of Charleston

Dear Mr. Oldaker:

The accompanying report has been prepared by our office based on your Medicaid Financial and Statistical Report submitted to the Department of Health and Human Services for the cost report period February 1, 1999 through September 30, 1999. That report was used to set the rate covering the contract periods beginning January 27, 1999.

We are recommending that the Department of Health and Human Services certify an accounts receivable to recover amounts due as a result of the rate change shown on Exhibit A. You will be notified of repayment terms by that Agency.

If you take exception to this report in any manner, you have the right to appeal in accordance with the Code of Laws of South Carolina, 1976 as amended, Title 44, and Department of Health and Human Services Regulation R.126-150, and you must respond in writing within thirty (30) calendar days of the date of this letter. This written response must address the specific items in the report being appealed, and must be directed to the Appeals and Hearings, Department of Health and Human Services, Post Office Box 8206, Columbia, South Carolina 29202-8206. Any correspondence should include the control number appearing on Exhibit A of this report.

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/kss

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Robert M. Kerr

Mr. Brian Oldaker, Director of Reimbursement
Life Care Centers of America
3570 Keith Street, NW
Post Office Box 3480
Cleveland, Tennessee 37320

Re: Draft Report - AC# 3-LCH-J9 – Life Care Center of Charleston

Dear Mr. Oldaker:

The accompanying draft report has been prepared by our office. Please review the adjustments as presented.

If you have any questions concerning this report and would like a formal exit conference with the auditors, please write to Mr. Jay S. Von Kannel, CPA, regarding the establishment of a meeting date. Your correspondence should include the above referenced control number. Your request for a conference must be made within ten (10) calendar days of your receipt of this report, and the conference must be held within twenty (20) calendar days of your receipt of this report. Any additional documentation in support of allowable cost must be received by our office no later than twenty (20) calendar days after your receipt of this report.

If we do not hear from you within ten (10) calendar days of your receipt of this report, we will assume you do not want an exit conference. In this case, I will reissue this report to you in final form and you will have thirty (30) calendar days in which to file a formal appeal if you so desire.

Yours very truly,

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/kss

cc: Ms. Brenda L. Hyleman
Mr. Jeff Saxon
Mr. Robert M. Kerr

Ms. Brenda L. Hyleman, Director
Division of Home Health and Nursing Home Services
Department of Health and Human Services
Post Office Box 8206
Columbia, South Carolina 29202-8206

Re: Draft Report - AC# 3-LCH-J9 – Life Care Center of Charleston

Dear Ms. Hyleman:

Please review the adjustments contained in the accompanying draft report. If you have any comments or disagreements with the adjustments and resulting computations, please contact Mr. Jay S. Von Kannel, CPA, within ten (10) calendar days.

Use of the above referenced control number is requested on any subsequent correspondence pertaining to this report.

If you do not have any comments, it will be assumed you are in agreement with the report and only those concerns of the Provider, if any, will be considered prior to the issuance of the final report.

Yours very truly,

Thomas L. Wagner, Jr., CPA
State Auditor

TLWjr/kss

cc: Mr. Jeff Saxon
Mr. Robert M. Kerr

LIFE CARE CENTER OF CHARLESTON

CHARLESTON, SOUTH CAROLINA

**CONTRACT PERIODS
BEGINNING JANUARY 27, 1999
AC# 3-LCH-J9**

REPORT ON CONTRACT

FOR

PURCHASE OF NURSING CARE SERVICES

WITH

STATE OF SOUTH CAROLINA

DEPARTMENT OF HEALTH AND HUMAN SERVICES

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INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

October 13, 2000

Department of Health and Human Services
State of South Carolina
Columbia, South Carolina

We have performed the procedures described below, which were agreed to by the South Carolina Department of Health and Human Services, solely to compute the rate change and related adjusted reimbursement rate to be used by the Department in determining the reimbursement settlement with Life Care Center of Charleston, for the contract periods beginning January 27, 1999, and for the eight month cost report period ended September 30, 1999, as set forth in the accompanying schedules. This engagement to apply agreed-upon procedures was performed in accordance with the standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Department of Health and Human Services. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures and the associated findings are as follows:

1. We tested selected costs or areas based on our analytical procedures applied to the reimbursable Medicaid program costs as shown on the Financial and Statistical Report for Nursing Homes, as filed by Life Care Center of Charleston, to determine if these costs were allowable as defined by the State Plan for Medicaid reimbursement purposes and supported by accounting and statistical records maintained by the provider. Our findings as a result of these procedures are presented in the Adjustment Report, Summaries of Costs and Total Patient Days, and Cost of Capital Reimbursement Analyses sections of this report.
2. We recomputed the Computation of Reimbursement Rate using the adjusted costs and calculated the rate change in accordance with the provisions of the contracts between the Department of Health and Human Services and Life Care Center of Charleston dated as of October 21, 1994 as amended. Our findings as a result of these procedures are presented in the Computation of Rate Change and Computations of Adjusted Reimbursement Rate sections of this report.

Department of Health and Human Services
State of South Carolina
October 13, 2000

The South Carolina Department of Health and Human Services has not received formal approval from the United States Health Care Financing Administration (HCFA) of Attachment 4.19D of the South Carolina State Plan under Title XIX (Medicaid) for the contract period beginning October 1, 2000, as required by regulations of the United States Department of Health and Human Services (HHS). The effects of any adjustments that may be necessary if the State Plan, as submitted, is modified to receive the approval of HCFA cannot presently be determined.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the South Carolina Department of Health and Human Services and is not intended to be and should not be used by anyone other than the specified party.

Thomas L. Wagner, Jr., CPA
State Auditor

LIFE CARE CENTER OF CHARLESTON
Computation of Rate Change
For the Contract Periods
Beginning January 27, 1999
AC# 3-LCH-J9

	<u>01/27/99- 03/31/99</u>	<u>04/01/99- 07/31/99</u>	<u>08/01/99- 09/30/99</u>	<u>10/01/99- 09/30/00</u>	<u>Beginning 10/01/00</u>
Interim Reimbursement Rate (1)	\$105.46	\$105.46	\$85.61	\$87.50	\$83.45
Adjusted Reimbursement Rate	<u>105.18</u>	<u>105.18</u>	<u>84.77</u>	<u>86.67</u>	<u>82.68</u>
Decrease in Reimbursement Rate	\$ <u>.28</u>	\$ <u>.28</u>	\$ <u>.84</u>	\$ <u>.83</u>	\$ <u>.77</u>

(1) Interim reimbursement rate as obtained from the South Carolina Department of Health and Human Services

LIFE CARE CENTER OF CHARLESTON
Computation of Adjusted Reimbursement Rate
For the Contract Period January 27, 1999 Through March 31, 1999
AC# 3-LCH-J9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$49.00	\$50.66	
Dietary		10.68	11.42	
Laundry/Housekeeping/Maint.		<u>10.10</u>	<u>9.32</u>	
Subtotal	<u>\$1.62</u>	69.78	71.40	\$ 69.78
Administration & Med. Rec.	<u>\$ -</u>	<u>16.70</u>	<u>12.56</u>	<u>12.56</u>
Subtotal		86.48	<u>\$83.96</u>	82.34
<u>Costs Not Subject to Standards:</u>				
Utilities		4.74		4.74
Special Services		.08		.08
Medical Supplies & Oxygen		1.71		1.71
Taxes and Insurance		2.59		2.59
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$95.60</u>		91.46
Inflation Factor (N/A)				-
Cost of Capital				12.10
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				1.62
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>-</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$105.18</u>

LIFE CARE CENTER OF CHARLESTON
Computation of Adjusted Reimbursement Rate
For the Contract Period April 1, 1999 Through July 31, 1999
AC# 3-LCH-J9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$49.00	\$50.66	
Dietary		10.68	11.42	
Laundry/Housekeeping/Maint.		<u>10.10</u>	<u>9.32</u>	
Subtotal	\$ <u>1.62</u>	69.78	71.40	\$ 69.78
Administration & Med. Rec.	\$ <u>-</u>	<u>16.70</u>	<u>12.56</u>	<u>12.56</u>
Subtotal		86.48	<u>\$83.96</u>	82.34
<u>Costs Not Subject to Standards:</u>				
Utilities		4.74		4.74
Special Services		.08		.08
Medical Supplies & Oxygen		1.71		1.71
Taxes and Insurance		2.59		2.59
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$95.60</u>		91.46
Inflation Factor (N/A)				-
Cost of Capital				12.10
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				1.62
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>-</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$105.18</u>

LIFE CARE CENTER OF CHARLESTON
Computation of Adjusted Reimbursement Rate
For the Contract Period August 1, 1999 Through September 30, 1999
AC# 3-LCH-J9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$37.71	\$41.87	
Dietary		8.22	9.44	
Laundry/Housekeeping/Maint.		<u>7.78</u>	<u>7.70</u>	
Subtotal	\$ <u>4.13</u>	53.71	59.01	\$53.71
Administration & Med. Rec.	\$ <u>-</u>	<u>12.86</u>	<u>10.38</u>	<u>10.38</u>
Subtotal		66.57	\$ <u>69.39</u>	64.09
<u>Costs Not Subject to Standards:</u>				
Utilities		3.65		3.65
Special Services		.08		.08
Medical Supplies & Oxygen		1.34		1.34
Taxes and Insurance		1.99		1.99
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		\$ <u>73.63</u>		71.15
Inflation Factor (3.60%)				2.56
Cost of Capital				9.31
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				4.13
Effect of \$1.75 Cap on Cost/Profit Incentives				<u>(2.38)</u>
 ADJUSTED REIMBURSEMENT RATE				 \$ <u>84.77</u>

LIFE CARE CENTER OF CHARLESTON
Computation of Adjusted Reimbursement Rate
For the Contract Period October 1, 1999 Through September 30, 2000
AC# 3-LCH-J9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$37.71	\$43.78	
Dietary		8.22	9.69	
Laundry/Housekeeping/Maint.		<u>7.78</u>	<u>8.24</u>	
Subtotal	\$ <u>4.32</u>	53.71	61.71	\$53.71
Administration & Med. Rec.	\$ <u>-</u>	<u>12.86</u>	<u>11.56</u>	<u>11.56</u>
Subtotal		66.57	<u>\$73.27</u>	65.27
<u>Costs Not Subject to Standards:</u>				
Utilities		3.65		3.65
Special Services		.08		.08
Medical Supplies & Oxygen		1.34		1.34
Taxes and Insurance		1.99		1.99
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$73.63</u>		72.33
Inflation Factor (3.00%)				2.17
Cost of Capital				9.14
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				4.32
Effect of \$1.75 Cap on Cost/Profit Incentives				(2.57)
Nurse Aide Staffing Add-On				<u>1.28</u>
 ADJUSTED REIMBURSEMENT RATE				 <u>\$86.67</u>

LIFE CARE CENTER OF CHARLESTON
Computation of Adjusted Reimbursement Rate
For the Contract Period Beginning October 1, 2000
AC# 3-LCH-J9

	<u>Incentives</u>	<u>Allowable Cost</u>	<u>Cost Standard</u>	<u>Computed Rate</u>
<u>Costs Subject to Standards:</u>				
General Services		\$35.35	\$46.47	
Dietary		7.70	10.12	
Laundry/Housekeeping/Maint.		<u>7.29</u>	<u>8.88</u>	
Subtotal	\$ <u>4.58</u>	50.34	65.47	\$50.34
Administration & Med. Rec.	\$ <u>-</u>	<u>12.05</u>	<u>10.55</u>	<u>10.55</u>
Subtotal		62.39	<u>\$76.02</u>	60.89
<u>Costs Not Subject to Standards:</u>				
Utilities		3.42		3.42
Special Services		.08		.08
Medical Supplies & Oxygen		1.26		1.26
Taxes and Insurance		1.87		1.87
Legal Fees		<u>-</u>		<u>-</u>
TOTAL		<u>\$69.02</u>		67.52
Inflation Factor (3.20%)				2.16
Cost of Capital				8.47
Cost of Capital Limitation				-
Profit Incentive (Max. 3.5% of Allowable Cost)				-
Cost Incentive				4.58
Effect of \$1.75 Cap on Cost/Profit Incentives				(2.83)
Nurse Aide Staffing Add-On 10/1/2000				1.50
Nurse Aide Staffing Add-On 10/1/1999				<u>1.28</u>
ADJUSTED REIMBURSEMENT RATE				<u>\$82.68</u>

LIFE CARE CENTER OF CHARLESTON
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1999
For the Contract Periods January 27, 1999 Through July 31, 1999
AC# 3-LCH-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	Adjusted <u>Totals</u>
General Services	\$1,219,326	\$12,958 (4)	\$ 5,894 (4) 5,865 (5) 4,915 (5)	\$1,215,610
Dietary	270,288	-	5,393 (4)	264,895
Laundry	51,727	-	2,665 (4)	49,062
Housekeeping	106,381	-	5,286 (4)	101,095
Maintenance	102,521	-	2,017 (4)	100,504
Administration & Medical Records	459,288	1,175 (4) 5,865 (5)	25,982 (4) 25,962 (5)	414,384
Utilities	117,702	-	-	117,702
Special Services	2,107	3,399 (4)	3,399 (6)	2,107
Medical Supplies & Oxygen	42,360	1 (6)	-	42,361
Taxes & Insurance	64,164	-	-	64,164
Legal Fees	-	-	-	-

LIFE CARE CENTER OF CHARLESTON
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1999
For the Contract Periods January 27, 1999 Through July 31, 1999
AC# 3-LCH-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Cost of Capital	307,123	10,034 (3)	9,018 (1) 5,591 (2) <u>2,387 (8)</u>	300,161
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Subtotal	2,742,987	33,432	104,374	2,672,045
Ancillary	42,488	-	-	42,488
Non-Allowable	631,238	9,018 (1) 2,347 (2) 29,705 (4) 30,877 (5) 3,398 (6) <u>2,387 (8)</u>	10,034 (3)	698,936
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Operating Expenses	<u>\$3,416,713</u>	<u>\$111,164</u>	<u>\$114,408</u>	<u>\$3,413,469</u>
TOTAL PATIENT DAYS	<u>24,808</u>	<u>-</u>	<u>-</u>	<u>24,808</u>
TOTAL BEDS	<u>148</u>			

LIFE CARE CENTER OF CHARLESTON
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1999
For the Contract Period August 1, 1999 Through September 30, 1999
AC# 3-LCH-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,219,326	\$12,958 (4)	\$ 5,894 (4) 5,865 (5) 4,915 (5)	\$1,215,610
Dietary	270,288	-	5,393 (4)	264,895
Laundry	51,727	-	2,665 (4)	49,062
Housekeeping	106,381	-	5,286 (4)	101,095
Maintenance	102,521	-	2,017 (4)	100,504
Administration & Medical Records	459,288	1,175 (4) 5,865 (5)	25,982 (4) 25,962 (5)	414,384
Utilities	117,702	-	-	117,702
Special Services	2,738	3,399 (4)	3,399 (6)	2,738
Medical Supplies & Oxygen	43,037	1 (6)	-	43,038
Taxes and Insurance	64,164	-	-	64,164
Legal Fees	-	-	-	-

LIFE CARE CENTER OF CHARLESTON
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1999
For the Contract Period August 1, 1999 Through September 30, 1999
AC# 3-LCH-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments <u>Debit</u>	<u>Credit</u>	Adjusted <u>Totals</u>
Cost of Capital	307,190	10,034 (3)	9,018 (1) 5,591 (2) <u>2,454 (9)</u>	300,161
	<u> </u>	<u> </u>		<u> </u>
Subtotal	2,744,362	33,432	104,441	2,673,353
Ancillary	42,488	-	-	42,488
Non-Allowable	629,863	9,018 (1) 2,347 (2) 29,705 (4) 30,877 (5) 3,398 (6) <u>2,454 (9)</u>	10,034 (3)	697,628
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Operating Expenses	<u>\$3,416,713</u>	<u>\$111,231</u>	<u>\$114,475</u>	<u>\$3,413,469</u>
Total Patient Days	<u>32,234</u>	<u>-</u>	<u>-</u>	<u>32,234</u>
Total Beds	<u>148</u>			

LIFE CARE CENTER OF CHARLESTON
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1999
For the Contract Period October 1, 1999 Through September 30, 2000
AC# 3-LCH-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	<u>Debit</u>	Adjustments <u>Credit</u>	Adjusted <u>Totals</u>
General Services	\$1,219,326	\$12,958 (4)	\$ 5,894 (4) 5,865 (5) 4,915 (5)	\$1,215,610
Dietary	270,288	-	5,393 (4)	264,895
Laundry	51,727	-	2,665 (4)	49,062
Housekeeping	106,381	-	5,286 (4)	101,095
Maintenance	102,521	-	2,017 (4)	100,504
Administration & Medical Records	459,288	1,175 (4) 5,865 (5)	25,982 (4) 25,962 (5)	414,384
Utilities	117,702	-	-	117,702
Special Services	2,738	3,399 (4)	3,399 (6)	2,738
Medical Supplies & Oxygen	43,037	1 (6)	-	43,038
Taxes & Insurance	64,164	-	-	64,164
Legal Fees	-	-	-	-

LIFE CARE CENTER OF CHARLESTON
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1999
For the Contract Period October 1, 1999 Through September 30, 2000
AC# 3-LCH-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Cost of Capital	301,388	10,034 (3)	9,018 (1) 5,591 (2) <u>2,281 (10)</u>	294,532
	<u> </u>	<u> </u>		<u> </u>
Subtotal	2,738,560	33,432	104,268	2,667,724
Ancillary	42,488	-	-	42,488
Non-Allowable	635,665	9,018 (1) 2,347 (2) 29,705 (4) 30,877 (5) 3,398 (6) <u>2,281 (10)</u>	10,034 (3)	703,257
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Operating Expenses	<u>\$3,416,713</u>	<u>\$111,058</u>	<u>\$114,302</u>	<u>\$3,413,469</u>
Total Patient Days	<u>32,234</u>	<u>-</u>	<u>-</u>	<u>32,234</u>
Total Beds	<u>148</u>			

LIFE CARE CENTER OF CHARLESTON
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1999
For the Contract Period Beginning October 1, 2000
AC# 3-LCH-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
General Services	\$1,219,326	\$12,958 (4)	\$ 5,894 (4) 5,865 (5) 4,915 (5)	\$1,215,610
Dietary	270,288	-	5,393 (4)	264,895
Laundry	51,727	-	2,665 (4)	49,062
Housekeeping	106,381	-	5,286 (4)	101,095
Maintenance	102,521	-	2,017 (4)	100,504
Administration & Medical Records	459,288	1,175 (4) 5,865 (5)	25,982 (4) 25,962 (5)	414,384
Utilities	117,702	-	-	117,702
Special Services	2,921	3,399 (4)	3,399 (7)	2,921
Medical Supplies & Oxygen	43,233	-	31 (7)	43,202
Taxes & Insurance	64,164	-	-	64,164
Legal Fees	-	-	-	-

LIFE CARE CENTER OF CHARLESTON
Summary of Costs and Total Patient Days
For the Cost Report Period Ended September 30, 1999
For the Contract Period Beginning October 1, 2000
AC# 3-LCH-J9

<u>Expenses</u>	Totals (From Schedule SC 13) as <u>Adjusted by DH&HS</u>	Adjustments		<u>Adjusted Totals</u>
		<u>Debit</u>	<u>Credit</u>	
Cost of Capital	297,757	10,034 (3)	9,018 (1) 5,591 (2) 2,009 (11)	291,173
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Subtotal	2,735,308	33,431	104,027	2,664,712
Ancillary	42,488	-	-	42,488
Non-Allowable	638,917	9,018 (1) 2,347 (2) 29,705 (4) 30,877 (5) 3,430 (7) 2,009 (11)	10,034 (3)	706,269
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Operating Expenses	<u>\$3,416,713</u>	<u>\$110,817</u>	<u>\$114,061</u>	<u>\$3,413,469</u>
Total Patient Days	<u>34,383</u>	<u>-</u>	<u>-</u>	<u>34,383</u>
Total Beds	<u>148</u>			

LIFE CARE CENTER OF CHARLESTON
Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-LCH-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
1	Other Equity	\$537,864	
	Nonallowable	9,018	
	Fixed Assets		\$385,659
	Accumulated Depreciation		152,205
	Cost of Capital		9,018
	To adjust fixed assets and related depreciation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
2	Other Equity	87,940	
	Nonallowable	2,347	
	Loan Cost		84,696
	Cost of Capital		5,591
	To adjust loan cost and related amortization HIM-15-1, Section 2304 State Plan, Attachment 4.19D		
3	Cost of Capital	10,034	
	Nonallowable		10,034
	To adjust depreciation and amortization expense to comply with capital cost policy State Plan, Attachment 4.19D		
4	Nursing	12,958	
	Medical Records	1,175	
	Special Services	3,399	
	Nonallowable	29,705	
	Restorative		5,894
	Dietary		5,393
	Laundry		2,665
	Housekeeping		5,286
	Maintenance		2,017
	Administration		25,982
	To properly classify salary expense and adjust fringe benefits and related allocation HIM-15-1, Section 2304 State Plan, Attachment 4.19D		

LIFE CARE CENTER OF CHARLESTON
Adjustment Report
Cost Report Period Ended September 30, 1999
AC# 3-LCH-J9

<u>ADJUSTMENT NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
5	Medical Records	5,865	
	Nonallowable	30,877	
	Nursing		5,865
	Restorative		4,915
	Administration		25,962
	To reclassify expense to the proper cost center and remove cost not related to patient care HIM-15-1, Sections 2102.3 and 2304 DH&HS Expense Crosswalk		
6	Medical Supplies	1	
	Nonallowable	3,398	
	Special Services		3,399
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D (This adjustment applies only to the rate periods 1/27/99 - 9/30/00)		
7	Nonallowable	3,430	
	Medical Supplies		31
	Special Services		3,399
	To remove special (ancillary) services reimbursed by Medicare State Plan, Attachment 4.19D (This adjustment applies only to the rate period beginning 10/01/00)		
8	Nonallowable	2,387	
	Cost of Capital		2,387
	To adjust capital return State Plan, Attachment 4.19D (This adjustment applies only to the rate periods 1/27/99 - 7/31/99)		

LIFE CARE CENTER OF CHARLESTON

Adjustment Report

Cost Report Period Ended September 30, 1999

AC# 3-LCH-J9

ADJUSTMENT			
<u>NUMBER</u>	<u>ACCOUNT TITLE</u>	<u>DEBIT</u>	<u>CREDIT</u>
9	Nonallowable Cost of Capital	2,454	2,454
	To adjust capital return State Plan, Attachment 4.19D		
	(This adjustment applies only to the rate period 8/1/99 - 9/30/99)		
10	Nonallowable Cost of Capital	2,281	2,281
	To adjust capital return State Plan, Attachment 4.19D		
	(This adjustment applies only to the rate period 10/1/99 - 9/30/00)		
11	Nonallowable Cost of Capital	2,009	2,009
	To adjust capital return State Plan, Attachment 4.19D		
	(This adjustment applies only to the rate period beginning 10/1/00)		
	TOTAL ADJUSTMENTS	\$747,142	\$747,142

Due to the nature of compliance reporting, adjustment descriptions and references contained in the preceding Adjustment Report are provided for general guidance only and are not intended to be all-inclusive.

LIFE CARE CENTER OF CHARLESTON
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 1999
 For the Contract Periods January 27, 1999 Through July 31, 1999
 AC# 3-LCH-J9

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.1814</u>	<u>2.1814</u>	
Deemed Asset Value (Per Bed)	34,069	34,069	
Number of Beds	<u>88</u>	<u>60</u>	
Deemed Asset Value	2,998,072	2,044,140	
Improvements Since 1981	75,143	-	
Accumulated Depreciation at 9/30/99	<u>(482,908)</u>	<u>(39,051)</u>	
Deemed Depreciated Value	2,590,307	2,005,089	
Market Rate of Return	<u>.067</u>	<u>.067</u>	
Total Annual Return	173,551	134,341	
Number of Days in Period	<u>242/365</u>	<u>242/365</u>	
Adjusted Annual Return	115,067	89,070	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	115,067	89,070	
Depreciation Expense	58,132	39,051	
Amortization Expense	-	-	
Capital Related Income Offsets	(689)	(470)	
Allocation of Capital Expense to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	172,510	127,651	\$300,161
Total Patient Days (Actual)	<u>14,751</u>	<u>10,057</u>	<u>24,808</u>
Cost of Capital Per Diem	\$ <u>11.69</u>	\$ <u>12.69</u>	\$ <u>12.10</u>

LIFE CARE CENTER OF CHARLESTON
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 1999
 For the Contract Period August 1, 1999 Through September 30, 1999
 AC# 3-LCH-J9

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.1814</u>	<u>2.1814</u>	
Deemed Asset Value (Per Bed)	34,069	34,069	
Number of Beds	<u>88</u>	<u>60</u>	
Deemed Asset Value	2,998,072	2,044,140	
Improvements Since 1981	75,143	-	
Accumulated Depreciation at 9/30/99	<u>(482,908)</u>	<u>(39,051)</u>	
Deemed Depreciated Value	2,590,307	2,005,089	
Market Rate of Return	<u>.067</u>	<u>.067</u>	
Total Annual Return	173,551	134,341	
Number of Days in Period	<u>242/365</u>	<u>242/365</u>	
Adjusted Annual Return	115,067	89,070	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	115,067	89,070	
Depreciation Expense	58,132	39,051	
Amortization Expense	-	-	
Capital Related Income Offsets	(689)	(470)	
Allocation of Capital Expense to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	172,510	127,651	\$300,161
Total Patient Days (Minimum 90% Occupancy)	<u>19,166</u>	<u>13,068</u>	<u>32,234</u>
Cost of Captital Per Diem	\$ <u>9.00</u>	\$ <u>9.77</u>	\$ <u>9.31</u>

LIFE CARE CENTER OF CHARLESTON
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 1999
 For the Contract Period October 1, 1999 Through September 30, 2000
 AC# 3-LCH-J9

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.2493</u>	<u>2.2493</u>	
Deemed Asset Value (Per Bed)	35,130	35,130	
Number of Beds	<u>88</u>	<u>60</u>	
Deemed Asset Value	3,091,440	2,107,800	
Improvements Since 1981	75,143	-	
Accumulated Depreciation at 9/30/99	<u>(482,908)</u>	<u>(39,051)</u>	
Deemed Depreciated Value	2,683,675	2,068,749	
Market Rate of Return	<u>0.063</u>	<u>.063</u>	
Total Annual Return	169,072	130,331	
Number of Days in Period	<u>242/365</u>	<u>242/365</u>	
Adjusted Annual Return	112,097	86,411	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	112,097	86,411	
Depreciation Expense	58,132	39,051	
Amortization Expense	-	-	
Capital Related Income Offsets	(689)	(470)	
Allocation of Capital Expense to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	169,540	124,992	\$294,532
Total Patient Days (Minimum 90% Occupancy)	<u>19,166</u>	<u>13,068</u>	<u>32,234</u>
Cost of Captital Per Diem	\$ <u><u>8.85</u></u>	\$ <u><u>9.56</u></u>	\$ <u><u>9.14</u></u>

LIFE CARE CENTER OF CHARLESTON
 Cost of Capital Reimbursement Analysis
 For the Cost Report Period Ended September 30, 1999
 For the Contract Period Beginning October 1, 2000
 AC# 3-LCH-J9

Original Asset Cost (Per Bed)	\$ 15,618	\$ 15,618	
Inflation Adjustment	<u>2.3156</u>	<u>2.3156</u>	
Deemed Asset Value (Per Bed)	36,165	36,165	
Number of Beds	<u>88</u>	<u>60</u>	
Deemed Asset Value	3,182,520	2,169,900	
Improvements Since 1981	75,143	-	
Accumulated Depreciation at 9/30/99	<u>(482,908)</u>	<u>(39,051)</u>	
Deemed Depreciated Value	2,774,755	2,130,849	
Market Rate of Return	<u>.060</u>	<u>.060</u>	
Total Annual Return	166,485	127,851	
Number of Days in Period	<u>242/365</u>	<u>242/365</u>	
Adjusted Annual Return	110,382	84,767	
Return Applicable to Non-Reimbursable Cost Centers	-	-	
Allocation of Interest to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	
Allowable Annual Return	110,382	84,767	
Depreciation Expense	58,132	39,051	
Amortization Expense	-	-	
Capital Related Income Offsets	(689)	(470)	
Allocation of Capital Expense to Non-Reimbursable Cost Centers	<u>-</u>	<u>-</u>	<u>Total</u>
Allowable Cost of Capital Expense	167,825	123,348	\$291,173
Total Patient Days (Minimum 96% Occupancy)	<u>20,444</u>	<u>13,939</u>	<u>34,383</u>
Cost of Captital Per Diem	\$ <u><u>8.21</u></u>	\$ <u><u>8.85</u></u>	\$ <u><u>8.47</u></u>